



Audit South West
Internal Audit, Counter Fraud and Consultancy Services

Integrated Health and Wellbeing

Joint Working and the Need for Independent Assurance

December 2015

Introduction

Integrated Commissioning

As of 1 April 2015 Plymouth City Council (PCC) and the Northern Eastern and Western Devon Clinical Commissioning Group (the CCG) have been working in partnership to undertake the Integrated Commissioning of Health and Wellbeing services. This commissioning activity is based around four jointly agreed commissioning strategies:

- Community Based Care;
- Enhanced & Specialist Care;
- Wellbeing;
- Children and Young People.

Purpose of this Paper

This paper sets out the framework in which the respective internal audit providers of PCC and the CCG, Devon Audit Partnership (DAP) and Audit South West (ASW) respectively, agreed to work together to deliver on-going internal audit assurance and counter fraud work within the framework of the integrated commissioning service, in order to meet the assurance needs of both partners.

Expectations

This framework recognises that each partner will have their own specific assurance needs, particularly in year one, and their own expectations in terms of the level of input from their own internal auditors. Both DAP and ASW are committed to working together to deliver these assurance needs within a structured framework.

The Requirements

What is required?

An annual Internal Audit plan is required focussing on key risks and providing guidance, advice, and assurance that the arrangements are sound and effective, and that controls in operation mitigate the exposure to risk.

Both the CCG and PCC internal audit plans for 2015/16 recognise the need for assurance in this area.

However, to complement the annual plan a three year audit programme should be developed aiming to provide assurance on the key areas of business risk. This can be achieved by aligning the longer term audit programme with the strategic plans of the partner organisations and Integrated Commissioning Function.

Plymouth City Council 2015/16 IA Plan

Audit involvement within the PCC People Directorate is both historical and on-going; as a consequence the PCC 2015/16 audit plan already includes an allocation of days to provide continued assurance to the City Council and in turn the CCG.

This PCC internal audit resource allocation is expected to continue due to the values involved as a percentage of the overall funds managed by PCC, and the impact of possible failure or inadequate management of risks. There is a need for the internal audit service to be proactive as well as reactive to the needs and requirements of the service area, especially in these early days.

Reporting

Appropriate reporting arrangements will need to be developed to meet the requirements of each partner organisation. Formal reporting to partners will typically include:

- Reports on each specific assignment/audit;
- Periodic Summaries to align with Audit Committee cycles;
- Annual Audit Assurance Opinion.

Report recipients are expected to be as follows:

- Assignment/Audit Reports – In the first instance these should be provided to the Service Managers for the area reviewed to agree the detail of the report and obtain responses to recommendations. Once agreed the report will be shared with Integrated Commissioning Finance and Assurance Review Group as requested or agreed.
- An annual report issued to the Integrated Governance Senior Management Team, and partner Senior Leadership Teams and Audit Committees as appropriate.

The work undertaken will feed into the respective annual Head of Internal Audit Opinion Statements.

Proposed Approach

Audit South West and Devon Audit Partnership propose to work together to develop and deliver a suitable audit service. Alternative arrangements have been considered, including whether one of the partner audit teams could assume full audit responsibility. The proposed joint approach has the following advantages:

- A flexible approach, with the ability of either partner to adequately and quickly increase the resource available to deliver the full audit plan;
- Retention of specialist knowledge and experience in both audit teams to benefit both partners;
- Opportunities to further enhance the skills of both audit teams to the benefit of the partners through joint working.

This will involve:

- Consolidation of 2015/16 internal audit plans to avoid duplication and share assurance;
- Production of a higher level internal audit programme covering a three year period (2016/17, 2017/18 and 2018/19) which will inform the detailed annual audit plans;
- The use of the “best placed” resource from both teams to deliver the work. Factors for consideration include the skills and knowledge needed as well as location;
- Agreement of report layout which recognises the input of both teams and satisfies the requirements of the partners.

It is anticipated that the overall lead for assignment work will be reflective of the decision made in respect of the host partner of the integrated funds. Each internal audit provider will nominate a named person to act as the overall lead for joint working on a day to day basis. For DAP this will be Chris Elliott, Audit Manager for People and for ASW this will be Sam Gingell, Assistant Audit Manager.

Both ASW and DAP are committed to regular and on-going liaison and sharing of knowledge to ensure the most appropriate service to both partners. This will be achieved through quarterly update meetings of the above mentioned leads or nominated deputies, supported by ad hoc meetings as required.

In most instances joint working on assignments is expected – Each team will use their own systems and review process, whilst working together to produce the report which would aim to contain key components, requirements and information required by the partner organisations.

However, where one provider is undertaking the majority of work, then work will be undertaken on the basis of a “Lead Provider” (for example, 60% ASW and 40% DAP would result in ASW taking the lead). The lead provider’s systems would be used to record work and review would flow through them. Reports will be co-ordinated across both audit teams to ensure that any final comments can be actioned.

Fraud

Counter Fraud work within the CCG is prescribed by Secretary of State’s Directions on Counter Fraud and by the NHS Protect Standards for Commissioners 2015-16 on Fraud, Bribery and Corruption. These Standards require a prescribed approach to the prevention of fraud through four key strands:

- Strategic Governance
- Inform and Involve
- Prevent and Deter
- Hold to Account

Given that the CCG is the Host body, in order to comply with these requirements ASW will act as the overall lead in all counter fraud matters, but will work with DAP in the delivery of specific preventive, detective and investigative work.

Both ASW and DAP will ensure that there is suitably skilled resource available to conduct investigation work if needed.

Advice and Guidance

Advice and guidance will be required on an on-going basis and the best placed team should respond. Where a request routes through one audit team this should not preclude the transfer of information to the other, if the other team is best placed to provide advice or guidance. In order to avoid providing conflicting advice both audit teams will consult to ensure consistency of message.

Review of Arrangements

These arrangements will be reviewed regularly, at least on an annual basis to ensure that they continue to meet the requirements of both partners.

APPENDIX 1

Independent Assurance

The Institute of Internal Auditors (IIA) definition of Internal Audit starts with “Internal Auditing is an independent, objective assurance and consulting activity”.

What is Assurance?

Assurance is a positive declaration intended to give confidence through the objective assessment of evidence with a view to providing an independent opinion or conclusion regarding an entity, an operation, a function, a process, system or other subject matter.

The independence of those giving assurance is key to providing confidence to those receiving it that it is truly objective. Internal management will give their views on outputs and challenge information and processes, whilst this is to be highly valued, it is not independent.

Why is there a need for Independent Assurance?

In 2015/16 Plymouth City Council is committing £131m of public funds and the CCG are committing circa £331m, providing an alignment of public funds in excess of £460m.

Internal Audit work will be aimed at providing both partners with independent assurance on the on-going effectiveness of business critical systems and processes, governance structures and risk management as well as assurance that appropriate progress is being made on the development of integrated systems, in line with the overall strategic direction of the commissioning function.

Who needs Independent Assurance?

Those charged with governance need independent assurance and for the City Council this includes the Cabinet and Audit Committee. For the CCG, this is via the Audit and Assurance Committee. Senior Management within each of the partners will also require assurance, most likely at a greater level of detail than those charged with Governance.

The Senior Management Team within the Integrated Commissioning Function will require assurance on a variety of issues, ranging from financial performance to administrative functions to enable any weaknesses identified to be addressed before they become problems, and to independently highlight successes and good practice. This is delegated to the Integrated Commissioning Finance Assurance Review Group.

Areas for Assurance

There are a number of areas where assurance will be required which will in the main fall into one of the following categories.

Risks

Partnership working brings its own challenges and when combined with the sums of money involved the impact, should a risk occur are higher. There is a need for confirmation that effective risk management arrangements are in place, that risks are identified, assessed in a consistent manner, are known to those charged with managing them and that suitable mitigating actions are agreed and reviewed on an on-going basis to manage these risks.

Controls

Assurance on the management actions and controls necessary to mitigate the risks is as important as the confirmation of their identification. Assurance work should look to provide

an opinion on the suitability, effectiveness and efficiency of controls and actions. In addition there is a need to confirm that they are working in practice and are consistently applied.

Threats and Opportunities

Whilst undertaking assurance work, threats and opportunities will be highlighted along with the existence, or not, of a sound system that enables opportunities to be maximised with minimal or accepted risk.

Implementation of Actions

A further area of assurance will be the confirmation that any actions identified through the assurance work are being addressed in a suitable and timely manner or where the risk is accepted the possible implications are clearly understood.

Assurance Delivery

Public Sector Internal Audit Standards (PSIAS)

In order to have suitable credibility and meet Local Authority and NHS requirements the internal audit work needs to be delivered by a PSIAS accredited/compliant provider which both DAP and ASW are. The standards published in April 2013 have the objectives of:

- Defining the nature of internal auditing within the UK public sector;
- Setting basic principles for carrying out internal audit in the UK public sector;
- Establishing a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and
- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

Knowledge

Internal Audit assurance delivery needs to be undertaken by those who understand the issues affecting the Integrated Health and Wellbeing activities. The value of experienced Internal Audit along with the knowledge gained from past experience and work with both partner organisations should not be underestimated.

Advice

Assurance work takes many forms and aside from the more formal audit assignments (both planned and unplanned) there will be a need to provide advice to the integrated commissioning function and the partners on an ad hoc basis as required.

Value for Money / High Quality

Given the underlying theme of greater efficiency and achievement of budget savings inherent in the Integrated Commissioning Function, there is a need for the assurance delivery to meet the partner's needs for value for money and high quality service. This is reflective of the ethos of both Devon Audit Partnership and Audit South West.

Locally Based

As well as knowledge of the areas requiring assurance there is a real benefit to having locally based audit. A general awareness of the locality will help to feed the understanding of the goals of the integrated commissioning function. Being locally based also offers more flexibility for interaction as travel time is not an issue and helps to keep costs low.